

Message Text

SECRET

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DRAFTED BY NEA/ARP:FMDICKMAN/EB-TOENDERS/LS

APPROVED BY S-LSEABLEBURGER

TREASURY:SECRETARY SIMON

EB/MR ENDERS

NEA/MR ATHERTON

S/S:DWMILLER

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O 222058Z JUN 74

FM SECSTATE WASHDC

TO AMEMBASSY JIDDA IMMEDIATE

S E C R E T STATE 134741

EXDIS

E.O. 11652: XGDS

TAGS: PFOR ENRG SA US

SUBJ: DELIVERY OF SECRETARY'S LETTER TO YAMANI

1. AMBASSADOR SHOULD AT EARLIEST OPPORTUNITY PERSONALLY DELIVER FOLLOWING LETTER FROM THE SECRETARY TO OIL MINISTER YAMANI TO EXPRESS THE SECRETARY'S APOLOGIES FOR NOT BEING ABLE TO MEET WITH YAMANI WHEN HE CALLED AT THE DEPARTMENT. YAMANI HAD AN APPOINTMENT TO MEET WITH THE SECRETARY AT 5:00 PM ON JUNE 20. TREASURY SECRETARY SIMON AND ASSISTANT SECRETARY ENDERS WERE PRESENT BUT THE SECRETARY WAS RETAINED AT LAST MINUTE BY THE PRESIDENT AND WAS UNABLE TO ATTEND. YAMANI HAD PREVIOUSLY MET WITH TREASURY SECRETARY SIMON AND UNDERSECRETARY SISCO IN NEW YORK ON JUNE 18 AND HAD EXTENDED HIS STAY TO COME TO WASHINGTON TO CALL ON THE SECRETARY.

2. BEGIN TEXT:

DEAR MR. MINISTER:

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I MOST DEEPLY REGRET THAT I WAS UNABLE TO MEET YOU ON JUNE 20 IN WASHINGTON. AS I THINK YOU KNOW, THE PRESIDENT RETAINED ME, MAKING OUR MEETING IMPOSSIBLE. I AM SORRY BOTH FOR THE INCONVENIENCE CAUSED YOU (I KNOW YOU DELAYED YOUR DEPARTURE FOR SAUDI ARABIA TO COME TO WASHINGTON) AND FOR HAVING MISSED THE OPPORTUNITY TO REVIEW MATTERS OF IMPORTANCE TO US BOTH.

FORTUNATELY, BILL SIMON AND JOE SISCO HAVE GIVEN ME THE DETAILS OF THEIR CONVERSATION WITH YOU IN NEW YORK OF JUNE 18. BILL HAS ALSO BRIEFED ME ON YOUR CALL AT THE DEPARTMENT.

HAD WE HAD A CHANCE TO TALK, I WOULD HAVE EXPRESSED MY GOVERNMENT'S ADMIRATION FOR THE LEADERSHIP SAUDI ARABIA AND YOU PERSONALLY HAVE BEEN EXERCISING IN EFFORTS TO OBTAIN A PRICE STRUCTURE FOR OIL THAT MORE REALISTICALLY REFLECTS SUPPLY AND DEMAND. WE RECOGNIZE THAT ONLY THROUGH A MAJOR SAUDI ARABIAN EFFORT AT THE QUITO OPEC CONFERENCE THAT A SUBSTANTIAL ARTIFICIAL INCREASE IN THE PRICE OF OIL WAS AVERTED. WE SHARE THE VIEW YOU HAVE EXPRESSED THAT THE PRICE OF OIL IS ALREADY TOO HIGH. NO DOUBT GREAT EFFORTS BY ALL OF US WILL BE NEEDED IN THE COMING MONTHS TO MORE ACCURATELY REFLECT THE TRUE BALANCE OF SUPPLY AND DEMAND.

LIKE YOU, WE ARE DISTURBED BY REPORTS THAT THE OIL COMPANIES ARE CURRENTLY CONSIDERING PAYING 93 PERCENT OR MORE OF PRESENT POSTED PRICES FOR BUY-BACK OIL FROM PRODUCERS IN THE PERSIAN GULF. WE RECOGNIZE THAT IF THIS TAKES PLACE, SAUDI ARABIA WILL FEEL OBLIGED TO ASK THE COMPANIES FOR THE SAME PRICE. WE ARE AGAIN SPEAKING TO THE OIL COMPANIES TO URGE THE RESTRAINT WE MUST ALL EXERCISE. WE HAVE ALSO IN THE PAST SPOKEN TO THE IRANIS AND OTHER PRODUCER COUNTRIES ABOUT THE THREAT WE SEE TO THE WORLD'S ECONOMY BY PRESENT OIL PRICES. I CAN ASSURE YOU THAT WE WILL CONTINUE TO LOOK FOR SUITABLE OPPORTUNITIES TO MAKE THIS POINT.

WE TOO ARE CONCERNED AT THREATS BY CERTAIN OIL
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EXPORTERS TO REDUCE THEIR PRODUCTION AS A MEANS TO MAINTAIN PRESENT PRICES AND TO OFFSET ANY CONTINUED INCREASES IN SAUDI ARABIA'S OIL PRODUCTION. THIS IS A MATTER WHICH NOW HAS OUR URGENT ATTENTION AND WHICH I HOPE WE WILL DISCUSS WITH YOU AND YOUR GOVERNMENT IN THE NEAR FUTURE. IN THE MEANTIME, WE HOPE THAT IT WILL BE POSSIBLE FOR SAUDI ARABIA TO CONTINUE THE VERY RESPONSIBLE ROLE IT NOW PLAYS IN MEETING A MAJOR PORTION OF THE WORLD'S

OIL SUPPLY.

MOST OF ALL, I SHOULD HAVE BEEN GLAD OF AN OPPORTUNITY
TO REVIEW WITH YOU PLANS FOR RAPIDLY EXECUTING OUR NEW
COOPERATION ARRANGEMENTS IN THE INDUSTRIAL AREA. BILL
SIMON WILL DO SO WHEN HE GOES TO ARABIA IN JULY. I AM MUCH
LOOKING FORWARD TO KNOWING HOW YOUR TALKS WITH HIM DEVELOP.

AGAIN PLEASE ACCEPT MY APOLOGIES FOR OUR FAILED
MEETING. I HOPE TO HAVE THE OPPORTUNITY TO SEE YOU
AGAIN SOON. BEST REGARDS, HENRY A. KISSINGER END TEXT
SISCO

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NNN

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